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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003988

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STATE PASS AIT/W

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SUBJECT: CHEN TAKES THE FALL FOR DPP LY SETBACK

Classified By: AIT Acting Director David J. Keegan, Reason: 1.4 (B/D)

11. (C) Summary: President Chen Shui-bian resigned his position as Democratic Progressive Party (DPP) Chairman December 14 to accept full responsibility for the worse than expected showing in the December 11 Legislative Yuan (LY) election. In a speech to the DPP's Central Standing Committee (CSC), Chen said he would withdraw from party operations in order to serve all Taiwan's people. The same day, the DPP's party headquarters issued a report blaming the party's provocative campaign rhetoric and over-aggressive nominations for its poor election showing. Although disappointed by the December 11 results, party moderates say the failure of Chen's campaign strategy and the electoral defeat for Lee Teng-hui's Taiwan Solidarity Union (TSU) together strengthen their hand within the DPP government. DPP officials say that the President appears to be looking for a more conciliatory approach to working with the opposition camp, but how far he is prepared to compromise on issues like personnel appointments and policy priorities may depend on whether the Pan-Blue coalition is able to maintain the increasingly shaky KMT-People First Party (PFP) alliance. End Summary.

Chen Takes Full Responsibility

12. (C) President Chen Shui-bian announced his resignation as DPP Chairman December 14 to take responsibility for the party's worse than expected performance in the December 11 LY election. Chen said that he was removing himself from his party role in order to be the president of "all of Taiwan's 23 million people." The president promised to rule "with humility" over the coming four years, and urged the opposition to cooperate with the ruling coalition on issues of governance. Chen told the party's CSC that the election results represented a setback for himself personally, but not a defeat for the DPP, which he noted was the only party in the December 11 election that increased its vote share over 2001.

13. (C) DPP officials publicly welcomed Chen's decision to accept full responsibility for the election disappointment. DPP Secretary General Chang Chun-hsiung, who was asked by Chen to remain in his post, submitted a report to the CSC on December 14 analyzing the DPP's performance. The report assessed that the DPP failed to reach its pre-election targets due to a combination of overly aggressive nominations and use of provocative campaign themes that alienated centrist voters. DPP Taipei County Magistrate Lin Hsi-yao, a ranking New Tide faction member, told AIT that both the nomination strategy and the choice of campaign slogans were formulated by the president personally. "We warned him repeatedly during the campaign about these things," Lin told AIT on December 14, "but since he chose to ignore us, he will have to bear the responsibility."

Moderates Re-energized

14. (C) Although disappointed by the party's poor showing, DPP moderates say they do see a silver lining. The New Tide faction increased its representation from 17 to 22 seats in the LY, and expects to recruit more newly elected DPP legislators into the faction over the coming weeks. Taipei County's Lin said the failure of Chen's hard-line campaign strategy and the poor showing by Lee Teng-hui's TSU has also bolstered DPP moderates. "We will be much more forceful in the future in standing up to Chen when we think he's wrong," Lin asserted. Lin added that the TSU's poor performance will undermine Lee Teng-hui's influence, and likely marks the beginning of the end for his party. "At some point in the coming months, we will start talking about how to absorb the TSU into the DPP," Lin commented.

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Who Wants to Be DPP Chairman?

15. (C) Following Chen's resignation, the DPP's CSC appointed party LY Caucus Leader Ker Chien-ming as interim Chairman pending a party election for a permanent replacement.

President Chen reportedly had urged Vice President Annette Lu to take the position, but she and the other three DPP presidential hopefuls (Presidential Office Secretary General Su Tseng-chang, Kaohsiung Mayor Frank Hsieh, and Premier Yu Shyi-kun) have all ruled out taking the job. Many DPP officials tell AIT privately that the Chairman post is seen as a consolation prize for the first candidate eliminated from contention for the 2008 presidential race. DPP Secretary General Chang Chun-hsiung and other senior party

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officials are expected to keep their current jobs until the new Chairman is announced, likely at a party conference on February 1, 2005.

Cabinet Changes Ahead

16. (C) While party personnel will remain in place for the time being, Chen administration officials tell AIT to expect major Cabinet changes in the coming weeks as President Chen considers ways to improve relations with the opposition-controlled LY. Given Premier Yu's difficult relationship with the LY, especially since March 20, he is almost certain to be replaced before the new LY convenes in February. Officials say that Chen has not yet decided whether to appoint a DPP heavyweight like Su or Hsieh, or choose a less partisan technocrat, such as former MAC Chair Tsai Ing-wen or former Vice Premier Lin Hsin-yi. How Chen

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handles personnel assignments, both for the Cabinet and for the upcoming round of Control Yuan (CY) appointments, could offer an insight into his approach to policymaking in the coming years. Taipei County Magistrate Lin commented that if Chen allows Pan-Blue leaders input into his upcoming personnel decisions, it will indicate that he is sincere about staying above the political fray. National Security Council (NSC) Senior Advisor Chen Chung-hsin told AIT that the mood inside the Presidential Office has clearly shifted since December 11. Chen said that NSC officials were instructed on December 13 to prepare for a more bipartisan approach to policymaking in the coming four years.

Temporary Setback

17. (C) Nevertheless, some in the DPP say that the president's conciliatory rhetoric is only a passing phenomenon. DPP Deputy Secretary General Lee Ying-yuan told AIT that Chen's actions over the past several days have been largely symbolic and asserted that he will remain very much in control of the DPP and the political agenda. Lee also disputed his own party's official assessment of its election performance. Lee, a polished spokesman for the fundamentalist wing of the party, argued that tactical errors and general voter fatigue rather than overly provocative rhetoric accounted for the DPP's December 11 setback.

Comment: A New Era or More of the Same?

18. (C) Chen's resignation from the DPP Chairmanship was expected regardless of the party's December 11 performance. Nonetheless, the fact that Chen was willing to accept full responsibility for the election setback should help reduce the backlash within the DPP against his heavy-handed role in the campaign. Whether Chen will fulfill his promise to remain above the political fray is less clear. Many will be inclined to say that Chen has gone through such cycles of reconciliation before and come out swinging. The Pan-Blue majority is not as solid as it may appear from the outside, and leading KMT figures like Ma Ying-jeou have warned that the Pan-Blue's small victory could quickly turn into a large defeat if post-election internal squabbles lead to splits in the opposition ranks. Given this prospect, Chen may look for opportunities to exploit internal divisions in the Pan-Blue. This may mean a return to the all too familiar mud-slinging of the past four years, or it may provide opportunities for the DPP to move forward on reform by building coalitions across the Blue-Green divide.

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